

TITLE 23: EDUCATION AND CULTURAL RESOURCES
CHAPTER XVI: TREASURER

PART 2500
COLLEGE SAVINGS POOL

Section

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AUTHORITY: Implementing and authorized by Section 16.5 of the State Treasurer Act [15 ILCS 505].

SOURCE: Adopted by emergency rule at 24 Ill. Reg. 6118, effective March 24, 2000, for a maximum of 150 days; emergency expired August 20, 2000; adopted at 24 Ill. Reg. 14441, effective September 12, 2000; emergency amendment at 25 Ill. Reg. 13323, effective October 3, 2001, for a maximum of 150 days; amended at 26 Ill. Reg. 3747, effective February 20, 2002; emergency amendment at 29 Ill. Reg. 19308, effective November 14, 2005, for a maximum of 150 days; emergency expired April 12, 2006; amended at 41 Ill. Reg. 13368, effective October 20, 2017; amended at 45 Ill. Reg. 2052, effective January 29, 2021; amended at 46 Ill. Reg. _____, effective _____.

Section 2500.10 Purpose

The Treasurer may establish and administer the Pool as a qualified State tuition program under section 529 of the Code. The Pool shall be structured to enable account owners to own an interest in a pool of assets, which may include, but need not be limited to, equities, bonds, money market instruments, financial institution deposits, or investment funds consisting primarily of those assets. The Treasurer, in a manner that is in compliance with federal and State securities laws, may issue interests in the Pool. The Treasurer may receive, hold, and invest moneys paid into the Pool in trust for the benefit of the account owners and designated beneficiaries and perform any other action he or she deems necessary to administer the Pool. In order to qualify

the Pool as a qualified state tuition program under section 529 of the Code and to so hold the assets of the Pool in trust, the Treasurer may create a trust by declaration of trust. The trust shall be an instrumentality of the State of Illinois.

(Source: Amended at 46 Ill. Reg. _____, effective _____)

Section 2500.20 Definition of Terms

The following definitions shall apply to this Part:

"Act": Section 16.5 of the State Treasurer Act [15 ILCS 505/16.5] that establishes the College Savings Pool.

"Account": An individual investment account established and maintained in the College Savings Pool.

"Account Owner": Any person or entity who has opened an account or to whom ownership of an account has been transferred, as allowed by the Code, and who has authority to withdraw funds, direct withdrawal of funds, change the designated beneficiary, or otherwise exercise control over an account in the College Savings Pool.

"Administrative Fees, Costs, and Expenses": Any fees, costs, and expenses, including investment fees and expenses, to cover the costs of administration, recordkeeping, and investment management, and payments to third parties, related to the Pool.

"Applicant": Any person who has applied or who is in the process of applying to open an account in the Pool.

"Code": The Internal Revenue Code of 1986, as amended (26 USC 1 et seq.).

"College Savings Pool" or "Pool": The College Savings Pool authorized to be established by the Treasurer under the Act and operated in accordance with section 529 of the Code, which may consist of one or more programs.

"College Savings Program" or "Program": An Illinois qualified tuition program established under the Pool and operated in accordance with section 529 of the Code.

"Contributions": Contributions made to an account by a donor.

"Designated Beneficiary": Any individual designated as the beneficiary of an account in the Pool by an account owner. A designated beneficiary must have a valid social security number or taxpayer identification number. In the case of an account established as part of a scholarship program permitted under section 529 of the Code, the designated beneficiary is any individual receiving benefits accumulated in the account as a scholarship.

"Donor": Any person or entity who makes a contribution to an account in the Pool.

"Earnings": The aggregate total of all dividends and interest income received by the College Savings Pool. The aggregate total of dividends and interest income shall be reduced by the aggregate total of administrative fees, costs, and expenses paid out of the Pool prior to calculating earnings. Earnings shall be determined without regard to realized or unrealized capital gains and losses incurred by the Pool.

"Eligible Educational Institutions": Public and private colleges, ~~junior~~community colleges, graduate schools, and certain vocational institutions that are described in section ~~20-USA~~ 1001 of the ~~(Higher Education Resource and Student Assistance~~ Chapter of Title 20 of the United States Code (20 U.S.C. 1001) and that are eligible to participate in ~~U.S.~~ Department of Education student aid programs.

"Investment Options": The underlying funds and investment portfolios available to account owners within a program.

"Investment Policy ": The Investment Policy Statement adopted by the Treasurer pursuant to the Act, which sets forth the policies, objectives, and guidelines that govern the investment of moneys in the programs.

"Investment Selection": Refers to the process of choosing the underlying investment funds, as well as the investment portfolios, by participants.

"Participating Financial Institution": Any financial institution lawfully doing business in the State of Illinois that has executed a participation agreement with the Treasurer or his or her agent, for the purposes of promoting a college savings program in the Pool.

"Program Disclosure Statement": The document distributed to applicants and account owners describing the program. The Program Disclosure Statement shall include, without limitation and unless contained in the application for enrollment, the information required by the Act and otherwise required under applicable

federal and Illinois laws.

"Program Manager": Any financial institution or entity lawfully doing business in the State of Illinois selected by the Treasurer to oversee the recordkeeping, custody, customer service, investment management, and marketing for one or more of the programs in the College Savings Pool. ~~"Program Manager": Any financial institution or entity lawfully doing business in the State of Illinois selected by the Treasurer to oversee the recordkeeping, custody, customer service, investment management, and marketing for one or more of the programs in the College Savings Pool.~~

"Qualified Expenses":

Tuition, fees, and the costs of books, supplies, and equipment required for enrollment or attendance at an eligible educational institution;

Expenses for special needs services, in the case of a special needs beneficiary, ~~which~~ that are incurred in connection with ~~such~~ the enrollment or attendance;

Certain expenses, to the extent they qualify as qualified higher education expenses under Section 529 of the Code, for the purchase of computer or peripheral equipment, ~~as defined in section 168 of the Code, computer software, as defined in section 197 of the Code,~~ or Internet access and related services, if ~~such~~ the equipment, software, or services are to be used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution, except that, ~~such~~ these expenses shall not include expenses for computer software designed for sports, games, or hobbies, unless the software is predominantly educational in nature; ~~and~~

Room and board expenses incurred while attending an eligible educational institution at least half-time. A student shall be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing, as determined under the standards of the institution at which the student is enrolled; ~~—[15 ILCS 505/16.5]~~

Expenses for fees, books, supplies, and equipment required for the participation of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under the National Apprenticeship Act (29 U.S.C. 50); and

Amounts paid as principal or interest on any qualified education loan of the designated beneficiary or a sibling of the designated beneficiary, as allowed under Section 529 of the Code. [15 ILCS 505/16.5(a)]

"Third-party Service Provider" means a subcontractor of the Program Manager for the exclusive purpose of distributing the Bright Directions advisor-sold plan.

"Treasurer": The duly elected Treasurer of the State of Illinois or his or her designee or designees.

(Source: Amended at 46 Ill. Reg. _____, effective _____)

Section 2500.50 Investment Policy

- a) The Treasurer shall select the investment options to be offered by the Pool to the account owners. *The Treasurer shall develop, publish, and implement an investment policy covering the investment of the moneys in each of the programs in the Pool. The policy shall be published each year as part of the audit of the College Savings Pool by the Auditor General. The policy shall be distributed to all account owners in each program. The Treasurer shall notify all account owners in the program in writing, and the Treasurer shall publish, in a newspaper of general circulation in both Chicago and Springfield, any changes to the previously published investment policy at least 30 calendar days before implementing the policy. [15 ILCS 505/16.5(g)]*
- b) The investment policy is a written statement describing the risk management and oversight program and should be designed to:
 - 1) ensure that an effective risk management process is in place to monitor the risk levels of the Pool;
 - 2) ensure that risks taken are prudent, properly managed, and adequately compensated compared to applicable performance benchmarks and standards;
 - 3) describe the Treasurer's investment objectives; and
 - 4) describe the process of evaluating performance of employees and contractors that provide investment management services to the Pool.
- c) The Treasurer shall utilize the following investment principles when constructing, evaluating, and selecting the investment framework, investment options, and investment funds for the Pool:

- 1) Low Cost – *The Treasurer must use his or her best efforts to keep fees as low as possible and consistent with the administration of high quality competitive college savings programs.* [15 ILCS 505/16.5(e)]
- 2) Open Architecture – The Pool's investment framework shall utilize an open architecture plan design, meaning it shall not be required to select proprietary investment funds or investment options. The open architecture design shall allow the Treasurer to select the underlying investment options and investment funds. The open architecture design is intended to provide the Treasurer with:
 - A) Access to best in class portfolio managers;
 - B) The ability to use nonproprietary products;
 - C) Increased flexibility when choosing underlying investment strategies; and
 - D) The ability to minimize account owner fees on underlying investment funds and accounts.
- 3) Various Investment Options – The Pool's investment options may include, but are not limited to:
 - A) Dynamic age-based portfolio;
 - B) Static portfolios with varying target allocations (i.e., aggressive, moderate or conservative risk profiles); and
 - C) Individual fund portfolios.
- 4) The portfolios listed in subsection (c)(3) may include some or all of the following asset categories:
 - A) Deposits with financial institutions (i.e. FDIC-insured savings accounts);
 - B) Short-term investments (i.e., money market funds);
 - CB) Fixed income investments;
 - DE) Real estate investments;

~~ED~~) Domestic equity investments; and

~~FE~~) International equity investments.

(Source: Amended at 46 Ill. Reg. _____, effective _____)

Section 2500.60 Contributions

- a) Contributions may be made only in cash. Cash contributions may be made by check, money order, electronic transfer, payroll contribution, wire transfer, or similar methods allowed by the Code.
- b) The Pool shall have no requirement on minimum contributions, and donors may make contributions at any time. *The Pool shall not permit any additional contributions to an account as soon as the sum of (i) the aggregate balance in all accounts in the Pool for the designated beneficiary and (ii) the aggregate contributions in the Illinois Prepaid Tuition Program for the designated beneficiary reaches the specified balance limit established from time to time by the Treasurer*~~Contributions shall not be allowed once a designated beneficiary has reached the account balance limit determined~~ in accordance with Section 2500.90.
- c) Contributions may be made by the account owner or any other person. No person other than the account owner may direct the investment and distribution of contributions to an account (or earnings thereon).
- d) *An account owner may, directly or indirectly, direct the investment of his or her account*~~any contributions to the Pool (or any earnings thereon);~~ only as provided in section 529(b)(4) of the Code. Donors and designated beneficiaries, in those capacities, may not, directly or indirectly, direct the investment of *an account*~~any contributions to the Pool (or any earnings thereon).~~

(Source: Amended at 46 Ill. Reg. _____, effective _____)

Section 2500.70 Distributions

- a) *Distributions made from an account in the Pool may be made directly to the eligible educational institution, directly to a vendor, in the form of a check payable to both the designated beneficiary and the institution or vendor, directly to the designated beneficiary or account owner, or in any other manner that is permissible under section 529 of the Code. [15 ILCS 505/16.5(i)]*

- b) ~~*Funds contained in an account may be rolled over into*~~~~*Funds contained in an account in the Pool may be rolled over into*~~ other eligible Illinois programs, including ~~*an eligible ABLE account*~~~~*an eligible ABLE account*~~ (see 15 ILCS 505/16.6) ~~*or another qualified tuition program, to the extent permitted by section 529 of the Code*~~~~*to the extent permitted by section 529 of the Code*~~.
- c) The Treasurer shall comply with all reporting requirements regarding distributions under section 529 of the Code.

(Source: Amended at 46 Ill. Reg. _____, effective _____)

Section 2500.80 Administrative Fees, Costs, and Expenses

- a) ~~*Any*~~~~*Administrative*~~ fees, costs, and expenses, ~~*including investment fees and expenses and payments to third parties, related to the Pool,*~~ shall be paid from the ~~*assets of the Pool*~~~~*Pool's assets to cover the costs of administration, recordkeeping, and investment management, and payments to third parties. The administrative fees, costs, and expenses shall be imposed on accounts.*~~ [15 ILCS 505/16.5(e)]
- b) *The Treasurer must use his or her best efforts to keep these fees as low as possible and consistent with administration of high quality competitive college savings programs.* [15 ILCS 505/16.5(e)]
- c) ~~*Fees*~~~~*Administrative fees*~~, costs, and expenses shall include sufficient reserve funds in line with industry standards for government operated funds.
- d) The Treasurer may permit a third-party service provider to provide compensation to participating financial institutions or other financial services providers that promote the Pool to their customers, provided that the cost of the compensation is not passed on to account owners without their consent.

(Source: Amended at 46 Ill. Reg. _____, effective _____)